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PROQRES
BAKU, AZERBAIJAN

The nation's future success lies with science and education!

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SERVICE QUALITY AND REGIONAL TAX REGULATIONS INFLUENCE TAXPAYER COMPLIANCE INTERVENING TAXPAYER SATISFACTION AND BEHAVIOR USING STRUCTURAL EQUATION MODELING APPROACH

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ABSTRACT

The result showed by structural equation modeling (SEM) approach that model taxpayer compliance is a model fit with Chi-Square Test 118.967 and significant probability 0.202. The services quality (SQ) and regional tax regulations (RTR) giving an influential favorably to taxpayer satisfaction (TS). The services quality (SQ) and regional tax regulations (RTR) giving an influential positive and significant with the taxpayer behavior (TB). The services quality (SQ), regional tax regulations (RTR), taxpayer satisfaction (TS) and taxpayer behavior (TB) giving an influential favorably to taxpayer compliance (TC). The taxpayer satisfaction (TS) giving an influential positive and significant with taxpayer behavior (TB). Taxpayer satisfaction (TS) giving the indirect effects largest in services quality (SQ) against taxpayer compliance (TC).

Key words: SQ,RTR, TS, TB, TC, SEM, Goodness of Fit

1. INTRODUCTION

Taxpayer compliance (tax compliance) can be identified by the taxpayer in the compliance register, compliance to deposit return letter of Notification (SPT), compliance in the calculation and payment of taxes owed, and compliance in payments in arrears. Compliance issues become important because of non-compliance at the same time would cause an attempt avoid taxes, such as tax evasion and tax avoidance, which resulted in reduced tax deposits to the State Treasury. Taxpayer compliance substantially influenced by the condition of the system of the administration of taxation including tax service and tax enforcement. Tax administration improvements alone are expected to encourage Taxpayer compliance.

Tax collection not work easily besides an active role of officer taxation, must be consciousness the taxpayer itself. Other effort which is not less important is to raise satisfaction taxpayers through increased service quality to taxpayers. Improving the quality and quantity service will impact on improving satisfaction taxpayers so hopefully impact on compliance taxpayer in pay or pay off their obligation.

Kiswanto and Wahyudin (2007), variable that service quality at reliability, assurance, responsiveness and tangible influential positive and significantly to satisfaction taxpayers vehicles. While empathy influential positive and significant. Reliability, responsiveness, assurance, empathy and tangible existed simultaneously together influential significantly against gratification compulsory PKB in Sragen regency. Reliability have leverage our dominant against gratification compulsory PKB in Sragen regency.

Betty and Sally classify the factors related to the behavior of the taxpayer; the perception that attempt to avoid paying taxes and not been accepted in general, the attitude of the community towards the expenditure priorities of satisfaction conducted by Government, the opportunity to avoid, and the complexity of the legislation (Yurzal, 2002). The higher the level of taxpayer compliance is increasingly higher success rate of tax revenue, and will lead to the increasing success of taxation. Therefore the taxpayer compliance improvement will increase the success of tax revenue.

Tax compliance is a function of attitude toward taxes, is currently in the cognitive components of, effectively, and konatif that interact to understand, feel and behave on the meaning and function of taxes.

Taxpayer compliance in carrying out the obligations in the field of taxation would be very encouraging to the improvement of reception areas of the tax sector.

CFA is part of the method of Structural Equation Modeling. According to Raykov and Marcoulides (2000), the CFA is not a method to find the structure factors, but confirmed the existence of a specific factor structure. One of the advantages of Confirmatory Factor Analysis is the level of flexibility when applied in a complex hypothesis model. Methods of estimation in analysis of the Confirmatory Factors used maximum likelihood that can determine the optimal value in the factor loading.

The study was conducted on respondents in the field of business restaurant, hotel, advertisement, entertainment and parking. In this study assessed the indicators and variables that affect the quality of taxpayer services, local tax regulations, the level of satisfaction of the taxpayer, the taxpayer attitudes and theoretically taxpayer compliance, which is then compiled into a theoretical model which will be evidenced by the data field data-driven models.

Research conducted in respondents have businesses of restaurant, hotels, advertising, entertainment and parker. Indicator and variables will be discussed in this research are affecting quality service taxpayers, regional tax laws, level of satisfaction of taxpayer, Attitude taxpayers and taxpayer compliance theoretically, compiled into a theoretical model will be evidenced by a data field into a model-based data.

2. METHODOLOGY

The type of data in this research is primary, Obtained through with survey respondents having businesses, then do analysis using Structural Equation Modeling (SEM). SEM is a multivariate analysis methods can be used to describe linear relationships simultaneously linkages between indicators variable and variables that cannot be measured directly (latent variables). The latent variable is a variable can't be measured directly, but can be represented or measured by one or more variables/indicators

Structural models describe relationship between latent variables, as shown in the following equation.

$$\boldsymbol{\eta = B\eta + \Gamma\xi + \zeta} \quad (1)$$

where **η** is an endogenous laten vector meansuring size mx1, B is the matrix coefficient of the endogenous latent variable measuring size m x m, **ξ is a** exogenous latent variable vector column, **ζ** is a vector of error in structural equations measuring size m x 1, and **Γ** is a coefficients matrix of the exogenous latent variable measuring size m x n. While, in the measurement model on similarities as follows

$$\boldsymbol{y=\Lambda_y\eta + \varepsilon} \quad (2)$$

$$\boldsymbol{x=\Lambda_x\xi + \delta} \quad (3)$$

where y is a vector indicator variable vector on the latent variable **η** with px1 size and x is a indicator variable vector on the latent variable **ξ with** qx1 size. While $\boldsymbol{\Lambda_y}$ is a coefficient relation of matrix **y** at **η** and $\boldsymbol{\Lambda_x}$ is the coefficient relation of matrix on x at **ξ**. Error vector for y measuring size px1 symbolized by **ε** and error vector for x with measuring sizes qx1 symbolized by **δ.**

Conceptual research is presented as follows:

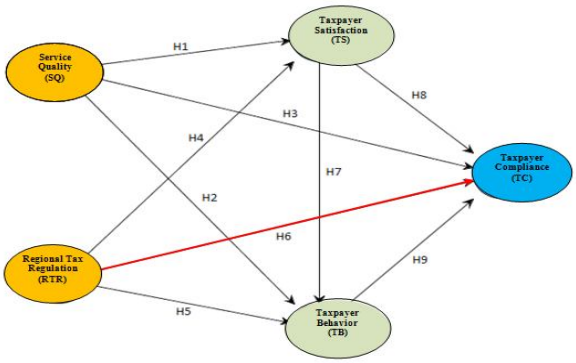

Fig. 1. *Conceptual Model Taxpayer Compliance*

With hipoteses

H1 :	SQ significantly to influential TS
H2 :	SQ significantly to influential TB
H3 :	SQ significantly to influential TC
H4:	RTR significantly to influential TS
H5 :	RTR significantly to influential TB
H6 :	RTR significantly to influential TC
H7 :	TS significantly to influential TB
H8 :	TS significantly to influential TC
H9 :	TB significantly to influential TC

3. RESULTS AND DISCUSSION

After test the validity and reliability on each variable latent, some prerequisite to be protected in modeling structural is assuming multivariate normal, assumption absence of multicolinearity or singularities and outlier.

Normality of data is one of SEM in terms. Testing data on Multivariate normality is emphasized by looking at the values of skewness, kurtosis, and statistically may be seen from the value of Pearson Correlation between d_j and q. significance level if it is used by 5 percent, then the value of Pearson Correlation between d_j and q more than 0.5 or $p < \alpha = 0.05$ was said to be a data is multivariate normal. On the attachment, the value of Pearson Correlation between d_j and q of 0.929 or $p = 0.000 < \alpha = 0.05$, so it can be said that the data distribution multivariate normal. Singularity can be seen through the determinant of the matrix of covariance. The value of a determinant is a very small or close to zero shows an indication there is the problem of singularity, so it cannot be used for research.

Multicollinearity does not occur if there is a latent variables are exogenous and there is more than one correlation. The value of the correlation between latent variables the service quality (SQ) with regional tax regulations (RTR) of 0.014 and p = 0903 is greater than the significance level $p = 0.000 < \alpha = 0.05$, then it can be said to be not happening multicollinearity. An outlier is an observation that comes with extreme values for univariate or multivariate, that which arises due to a combination of its own unique characteristics and looks very far from the observation-other observation. In the event of an outlier can be made special treatment on the outlier of origin unknown how the emergence of the outlier. Research on outlier testing results served on the mahalanobis d-squared. The value of a greater Mahalanobis of Chi-square tables or value $p1 < 0.001$ is said to be the outlier observation. To research are two data outlier, because it still less than 5 data then be considered not occurring outlier.

After a test validity and reliability on all latent variable results valid and reliability, multivariate normal data, singularity does not occur and there is no outlier, then the latent variables can proceed in the analysis of the shape of a path diagram is presented as follows:

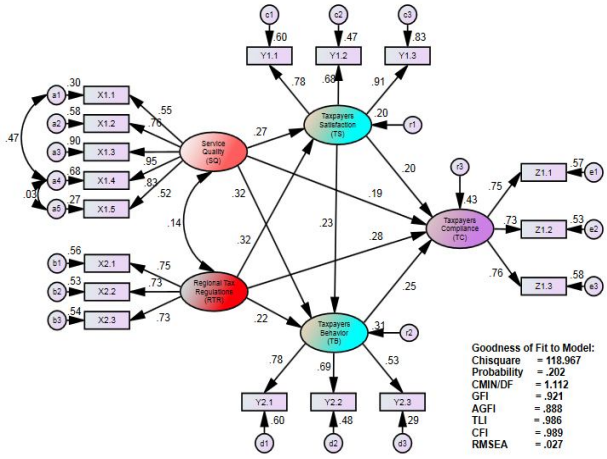

Fig. 2. *Relationship service quality, regional tax regulations, taxpayer satisfaction and behavior, taxpayer compliance*

Structural of Taxpayer Compliance Goodness of Fit Model

The results of testing the measurement model with AMOS program is available at the following

Table 1. Testing Results Model service quality, regional tax regulations, taxpayer satisfaction and behavior, taxpayer compliance

Criterion	Value Cut - Off	Calculation Result	Information
Chi – Square	expected small	118.967	χ^2 with df = 107 is 132.144 Good
Significance Probability	≥ 0,05	0.202	Good
RMSEA	≤ 0,08	0.027	Good
GFI	≥ 0,90	0.921	Good
AGFI	≥ 0,90	0.888	Marginal
CMIN/DF	≤ 2,00	1.112	Good
TLI	≥ 0,90	0.986	Good
CFI	≥ 0,90	0.989	Good

Based on Table 1, shows that 7 (seven) the criteria used to judge the worth / absence of a model turns out to proclaim the Good and quite good. It can be said that the model is acceptable, which means there is a match between the model with the data.

The appropriate of model, can be interpreted in each path coefficient. The coefficients path is hypothesized in this study, which can be presented in the following structural equation:

TS = 0.275 SQ + 0.315 RTR
TB = 0.324 SQ + 0.219 RTR + 0.232 TS
TC = 0.191 SQ + 0.283 RTR + 0.197 TS + 0.251 TB

where:

SQ = service quality
RTR= regional tax regulations
TS = taxpayer satisfaction
TB = taxpayer behavior
TC = taxpayer compliance

Testing path coefficients in Figure 2 and the above equations are presented in detail in the following table:

Table 2. Path Coefficients Testing Results Taxpayer Compliance Model

Variable	Coefficient	C.R.	Prob.	Information
Service quality (SQ) → Taxpayer Satisfaction (TS)	0.275	2.944	0.003	Significant
Service quality (SQ) → Taxpayer Behavior (TB)	0.324	2.893	0.004	Significant
Service quality (SQ) → Taxpayer Compliance (TC)	0.191	1.987	0.047	Significant
Regional Tax Regulations (RTR) → Taxpayer Satisfaction (TS)	0.315	3.243	0.001	Significant
Regional Tax Regulations (RTR) → Taxpayer Behavior (TB)	0.219	2.014	0.044	Significant
Regional Tax Regulations (RTR) → Taxpayer Compliance (TC)	0.283	2.760	0.006	Significant
Taxpayer Satisfaction (TS)→ Taxpayer Behavior (TB)	0.232	2.146	0.032	Significant
Taxpayer Satisfaction (TS)→ Taxpayer Compliance (TC)	0.197	1.996	0.046	Significant
Taxpayer Behavior (TB)→ Taxpayer Compliance (TC)	0.251	2.086	0.037	Significant

Based on Table 2, the interpretation of each path coefficient is as follows:

1. The Service quality (SQ) a positive and significant effect of Taxpayer Satisfaction (TS). This can be seen from the path marked with a positive coefficient of 0.275 with C.R. of 2.944 and acquired significance probability (p) of the smaller of 0.003 degrees of significance (α=0.05). Thus Service quality (SQ) impact directly on the level of Taxpayers satisfaction (TS) to 0.275, meaning every Service quality (SQ) increases then it will raise the Taxpayers satisfaction (TS) equal to 0.275.
2. The Service quality (SQ) a positive and significant effect of Taxpayer Behavior (TB). This can be seen from the path marked with a positive coefficient of 0.324 with C.R. of 2.893 and acquired significance probability (p) of the smaller of 0.004 degrees of significance (α=0.05). Thus Service quality (SQ) impact directly on the level of Taxpayer Behavior (TB) to 0.324, meaning every Service quality (SQ) increases then it will raise the Taxpayer Behavior (TB) equal to 0.324.
3. The Service quality (SQ) a positive and significant effect of Taxpayer Compliance (TC). This can be seen from the path marked with a positive coefficient of 0.191 with C.R. of 1.987 and acquired significance probability (p) of the smaller of 0.047 degrees of significance (α=0.05). Thus Service quality (SQ) impact directly on the level of Taxpayer Compliance (TC) to 0.191, meaning every Service quality (SQ) increases then it will raise the Taxpayer Compliance (TC) equal to 0.191.
4. The Regional Tax Regulations (RTR) a positive and significant effect of Taxpayer Satisfaction (TS). This can be seen from the path marked with a positive coefficient of 0.315 with C.R. of 3.243 and acquired significance probability (p) of the smaller of 0.001 degrees of significance (α=0.05). Thus Regional Tax Regulations (RTR) impact directly on the level of Taxpayers satisfaction (TS) to 0.315, meaning every Regional Tax Regulations (RTR) increases then it will raise the Taxpayers satisfaction (TS) equal to 0.315.

5. The Regional Tax Regulations (RTR) a positive and significant effect of Taxpayer Behavior (TB). This can be seen from the path marked with a positive coefficient of 0.219 with C.R. of 2.014 and acquired significance probability (p) of the smaller of 0.044 degrees of significance (α=0.05). Thus Regional Tax Regulations (RTR) impact directly on the level of Taxpayer Behavior (TB) to 0.219, meaning every Regional Tax Regulations (RTR) increases then it will raise the Taxpayer Behavior (TB) equal to 0.219.
6. The Regional Tax Regulations (RTR) a positive and significant effect of Taxpayer Compliance (TC). This can be seen from the path marked with a positive coefficient of 0.283 with C.R. of 2.760 and acquired significance probability (p) of the smaller of 0.006 degrees of significance (α=0.05). Thus Regional Tax Regulations (RTR) impact directly on the level of Taxpayer Compliance (TC) to 0.283, meaning every Regional Tax Regulations (RTR) increases then it will raise the Taxpayer Compliance (TC) equal to 0.283.
7. Taxpayers satisfaction (TS) a positive and significant effect against a Taxpayer Behavior (TB). This can be seen from the path marked with a positive coefficient of 0.232 with C.R. of 2,146 and acquired significance probability (p) of the smaller of 0.032 degrees of significance (α) specified by 0.05. Thus Taxpayers satisfaction (TS) directly influential on Taxpayer Behavior (TB) of 0.232, which means every increment Taxpayers satisfaction (TS) then it will raise Taxpayer Behavior (TB) of 0.232
8. Taxpayers satisfaction (TS) a positive and significant effect against a Taxpayer Compliance (TC). This can be seen from the path marked with a positive coefficient of 0.197 with C.R. of 1,996 and acquired significance probability (p) of the smaller of 0.046 degrees of significance (α) specified by 0.05. Thus Taxpayers satisfaction (TS) directly influential on Taxpayer Compliance (TC) of 0.197, which means every increment Taxpayers satisfaction (TS) then it will raise Taxpayer Compliance (TC) of 0.197.
9. Taxpayer Behavior (TB) a positive and significant effect against a Taxpayer Compliance (TC). This can be seen from the path marked with a positive coefficient of 0.251 with C.R. of 2.086 and acquired significance probability (p) of the smaller of 0.037 degrees of significance (α) specified by 0.05. Thus Taxpayer Behavior (TB) directly influential on Taxpayer Compliance (TC) of 0.251, which means every increment Taxpayer Behavior (TB) then it will raise Taxpayer Compliance (TC) of 0.251.

In the structural equations involving many variables and paths between variables are influences between variables that include direct effects, indirect effects and total effects. For it to be discussed in detail the respective effects of the above mentioned.

- **Standarized Direct Effect**

A relation of direct occurring between exogenous latent variables (SQ, RTR), with endogenous latent variable intermediate/intervening (TS, TB) and endogenous latent variable compliance (TC). Table here presenting direct result of ties directly happened between variables latent exogenous and endogenous.

Table 3. Standardized Direct Effect Between Latent Variable

Standardized Direct Effect		Endogen Variable		
		TS	TB	TC
Exogen Variable	SQ	**0.275**	**0.324**	**0.191**
	RTR	**0.315**	**0.219**	**0.283**
	TS	0,000	**0.232**	**0.197**
	TB	0,000	0,000	**0.251**

From Table 3, above, great influence can be described directly (direct effects) than latent variables exogenous to endogenous latent variables. The SQ provide the biggest direct effects on the TS, and subsequent TS on TC.

- **Standarized Indirect Effect**

Table here presenting results indirect direct effect happened between variables latent exogenous and endogenous.

Table 4. Standardized Indirect Effects Between Variables

Standardized Indirect Effects		Endogen Variable		
		TS	TB	TC
Exogen Variable	SQ	0,000	**0.064**	**0.151**
	RTR	0,000	**0.073**	**0.135**
	TS	0,000	0,000	**0.058**
	TB	0,000	0,000	0,000

From the Table 4 above, can be explained large indirect effect (indirect effects) from exogenous latent variable against latent endogenous. The TS giving the indirect effects largest in the SQ against obedience is TC.

- **Standarized Total Effect**

The following table presents the results of the total of direct and indirect relationships that occur between the latent variables are exogenous and endogenous

Tabel 5. Standarized Total Effect Between Variables

Standarized Total Effect		Endogen Variable		
		TS	TB	TC
Exogen Variable	SQ	**0.275**	**0.388**	**0.342**
	RTR	**0.315**	**0.293**	**0.419**
	TS	0,000	**0.232**	**0.255**
	TB	0,000	0,000	**0.251**

From Table 5 above, can be described of total effects than exogenous to endogenous latent variables. The RTR provide the greatest total effect on the TC, and then SQ give the largest total effects on TB.

4. CONCLUSION

The results showed that the SEM approach with service quality (SQ) which was formed by the physical evidence of (tangibles, reliability, responsiveness, assurance, and empathy) positive and significant effect against the Taxpayers Satisfaction (TS) (which consists to performance, perceptions, and expectations). Service quality (SQ) a positive and significant impact on the Taxpayer Behavior (TB) (dubious and fines, tax evasion, and restraint. Regional Tax Regulation (RTR) formed by the clarity of the rules of local tax, tax incentives, overlapping the positive and significant to the satisfaction of the Taxpayers Satisfaction (TS). Regional Tax Regulation (RTR) a positive and significant effect of Taxpayer Compliance (TC) (which consists of the calculation of tax rates, timely Payments, and tax reporting). The Taxpayers Satisfaction (TS) positive and significant effect on the Taxpayer Behavior (TB). Taxpayers Satisfaction (TS) a positive and significant effect of Taxpayer Compliance (TC). The Taxpayers behavior (TB) a positive and significant effect of Taxpayer Compliance (TC). The taxpayers satisfaction (TS) provides the largest indirect effects on the service quality (SQ) of Taxpayer Compliance (TC).

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